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LMA RESPONSE TO HMT DISCUSSION PAPER ON NON-BANK LENDING

The LMA supports the drive by the Treasury to promote wider sources of funding for the UK corporate sector.

In formulating a response to HMT's discussion paper, the LMA considered the inherent infrastructure of the syndicated loan market and whether there are any areas which could restrict investors into the corporate sector. Its conclusion is that there are no material infrastructure obstructions to non-bank investors participating in syndicated loans, but there are certain practical considerations that could be addressed to facilitate participation by non-banks. These include greater use and availability of credit ratings and improvements in the settlement infrastructure. In the latter case, a move towards more automated electronic settlements and clearing systems would expedite the transfer of loans and the LMA has been and continues to work very actively with market practitioners in this area.

It has also identified areas where the Government can play an important part such as amending the current treaty clearance requirements to accommodate foreign investors and reviewing the KYC requirements, particularly for secondary market transactions.

Clare Dawson, Managing Director, of the LMA said, "We look forward to continuing this discussion with HMT to facilitate wider investment in the UK corporate sector, as we believe there are areas where constructive changes could be made, in particular by reviewing current treaty clearance and KYC requirements."

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Loan Market Association

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Loan Market Association

The Loan Market Association was founded in December 1996 by seven leading international banks in London. Its aim was to encourage liquidity and efficiency in both the primary and secondary loan markets by promoting market depth and transparency, as well as by developing standard forms of documentation and codes of market practice. Banks, law firms and other market practitioners/participants are welcome to apply to join the LMA.

The Association was established in anticipation of changing market conditions and of a perceived willingness on the part of the banking community to bring greater clarity, efficiency and liquidity to the relatively under-developed secondary market.

The initiative was clearly well timed, as there was sustained growth in secondary loan activity in the Euromarkets over the following ten years. Unsurprisingly, this trend reversed in 2008, when volumes for the year went down to EUR 80 billion from EUR 173 billion in 2007.

The LMA has gained recognition in the market and has expanded its activities to include all aspects of the primary and secondary syndicated loan markets. It sees its overall mission as acting as the authoritative voice of the syndicated loan market in Europe vis à vis banks, borrowers, regulators and other affected parties.

For more information, please visit www.lma.eu.com.